

Nu-West Development Corporation Ltd.

AR18



1972 Annual Report

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Highlights of Operations

	1972	1971	% Change
Total Revenue	\$57,945,064	\$37,358,661	+55%
Net Income after Current and Deferred Income Tax	2,112,517	1,185,639	+78%
Cash Flow from Operations	2,653,024	1,492,771	+78%
Net Income per Common Share after Current and Deferred Income Taxes	\$1.24	70¢	+78%
Cash Flow per Common Share from Operations	\$1.56	88¢	+78%
Common Shares Outstanding	1,697,397	1,688,097	

Review of Operations

	1972	1971	% Change
Total Revenue	\$57,945,064	\$37,358,661	+55%
Single and Multiple Housing Sales	50,921,973	33,192,523	+53%
Land Sales	4,946,743	3,051,654	+62%
Rental Revenue	1,421,512	746,782	+90%
Other Revenue	654,836	367,702	+78%



nu-west
DEVELOPMENT CORPORATION LTD.

INTERIM REPORT – JUNE 30, 1972

In August of 1972 your Company purchased an existing lumber supply operation that had previously supplied many of Nu-West's requirements.

Report to Shareholders for the six months ended June 30, 1972.

I am pleased to report that your Company achieved a substantial gain in total sales volume and net earnings during the six months ending June 30, 1972.

Revenue for the first half of 1972 is \$21,124,723, up from \$16,476,319 for the same period last year, a 28% increase. Net earnings are \$617,190 or 36 cents per share, up from \$431,990, or 26 cents per share. Cash flow increased to 37 cents per share from 31 cents per share for the corresponding period last year. The increase in net earnings is an improvement of 42% over the same period in 1972, or 30% when a non-recurring capital gain of \$53,000 in the first quarter of 1972 is taken into account.

Sales of housing units which have not yet been delivered and for which the purchasers have been approved by the mortgage lender, total \$15,000,000 as at June 30, 1972. The combination of carry-forward sales and the steady pace of new sales being written, means we can anticipate strong third and final quarters.

I am also pleased to report that, at a recent Board of Directors meeting, it was decided that your Company will pay a dividend of 10 cents per share on December 1, 1972 based on holdings as at November 1, 1972. The commencement of dividend payments is a positive indication of your Company's improved earnings picture and future growth.

In keeping with our goal of being recognized as Canada's finest builder/developer, we continue to implement policies emphasizing value, quality control and service. Our ten-year warranty, a first in the Canadian residential building industry, is now in force and prospective customers are reacting to it in a positive way. We firmly believe that Nu-West's continuing growth will be assured if we listen to the voice of today's discerning consumer and satisfy his needs in terms of design, value and service.

Your Land Division is continuing to make great

strides, increasing its land bank and bringing new projects to the marketplace. Dartmoor Highlands, the Division's first development in the Greater Vancouver area, comprising 150 residential lots in Coquitlam, is now in the rough grading stage and will eventually contribute in excess of \$1,800,000 to your Company's sales. Westview Village, a mobile home community just outside Edmonton, is now approaching completion of the first phase, and first occupancies are expected in September.

Reports on Nu-West's land activities must also include mention of joint venture companies in which we have substantial interests: Carma Developers Ltd., now a publicly owned company and listed on the Toronto Stock Exchange, and Sur-Del Builders Development Ltd. These companies develop buildings lots in Calgary, Edmonton and Vancouver, and will continue to make significant contributions to your Company's earnings.

Your Resource Community and Contract Division has been awarded a \$1,600,000, 98-unit turnkey project for the City of Edmonton, and is currently completing projects in Elkford, British Columbia, and Banff and Drumheller, Alberta. Of the 161 housing units contained in these three projects, only 12 remain unsold.

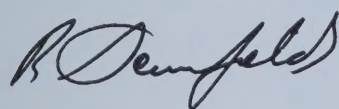
In summary, your Company's progress in the first six months of 1972 is very satisfactory. All divisions are performing well, including the subsidiary operations: Datamation Centres (1971) Ltd., Nu-West Real Estate and Insurance Ltd., Nu-West Mortgage and Investment Company Ltd., Van Reekum Landscape Contractors Ltd., and B. A. Lawrence and Associates Ltd.

The market is buoyant. Housing demands in all our areas of operation continue to be strong and our inventories of completed and unsold housing are substantially below the same period last year. We expect this demand to keep pace with the increase in population and the expansion of major metropolitan regions coupled with the continued growth of Canada's oil, gas and resource industries.

This growing demand, our strong capital base, and management capabilities should enable us to capture a substantial share of the fastest growing market areas in Canada today.

Perhaps the one word that best describes your Company at this time, is opportunity. Opportunity for growth. Opportunity in terms of meeting the needs of the community. Opportunity for increased earnings for our shareholders, and opportunity for satisfying the ambitions and personal goals of our dedicated staff.

On behalf of your Board of Directors,



R. T. Scurfield,
President

**NU-WEST DEVELOPMENT CORPORATION LTD.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF INCOME
(UNAUDITED)**

SIX MONTHS ENDED JUNE 30, 1972

	<u>1972</u>	<u>1971</u>
Revenue		
Sales	\$19,957,938	\$15,881,609
Rentals	605,810	271,704
Other	560,975	323,006
	<u>21,124,723</u>	<u>16,476,319</u>
Cost of sales and operating expenses	19,601,289	15,295,833
Interest	592,884	305,979
Depreciation and amortization	107,602	58,731
	<u>20,301,775</u>	<u>15,660,543</u>
Net income before the undernoted	822,948	815,776
Equity in net income of non-controlled corporate joint ventures and affiliates	251,699	48,204
Net income from operations	<u>1,074,647</u>	<u>863,980</u>
Non-recurring gain on conversion of investments	53,000	—
Net income before income taxes	<u>1,127,647</u>	<u>863,980</u>
Current income taxes	280,699	350,727
Net income before deferred income taxes	<u>846,948</u>	<u>513,253</u>
Deferred income taxes	229,758	81,263
Net income	<u>\$ 617,190</u>	<u>\$ 431,990</u>
Common shares outstanding	<u>1,696,747</u>	<u>1,684,097</u>

Net income per common share

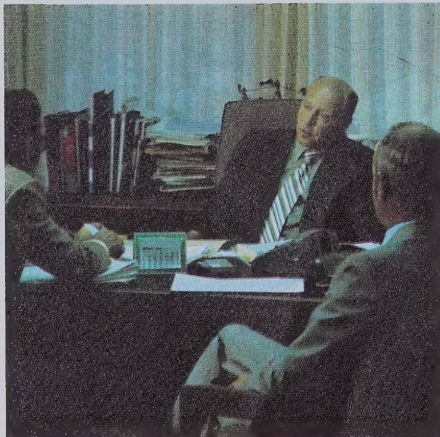
	No Dilution	Full Dilution	
From operations	33c	31c	26c
Non-recurring item	3c	3c	—
Net income	<u>36c</u>	<u>34c</u>	<u>26c</u>
Cash flow per common share	<u>37c</u>	<u>31c</u>	

**NU-WEST DEVELOPMENT CORPORATION LTD.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF SOURCE
AND USE OF FUNDS
(UNAUDITED)**

SIX MONTHS ENDED JUNE 30, 1972

	<u>1972</u>	<u>1971</u>
Source of funds		
Net income from operations	\$ 617,190	\$ 431,990
Add: Deferred income taxes	229,758	81,263
Depreciation and amortization	<u>107,602</u>	<u>58,731</u>
	<u>954,550</u>	<u>571,984</u>
Deduct: Equity in net income of non-controlled corporate joint ventures and affiliates	251,699	48,204
Reduction in deferred income	19,719	—
Gain on conversion of investments	<u>53,000</u>	<u>—</u>
	<u>324,418</u>	<u>48,204</u>
Cash flow from operations	630,132	523,780
Increase in:		
Payables and accruals	1,149,084	2,635,205
Payable on land held for development	796,654	(820,928)
Mortgages payable on rental properties	277,499	(63,703)
Mortgage advances and customer deposits	3,846,315	(4,206,846)
Proceeds from:		
Exercise of options on shares	32,338	48,750
Term bank loan	—	4,000,000
Debenture issue	—	3,000,000
Increase in bank indebtedness	<u>2,869,522</u>	<u>(197,076)</u>
	<u>\$ 9,601,544</u>	<u>\$ 4,919,182</u>
Use of funds		
Increase in:		
Prepaid expenses	\$ 628,591	\$ 277,720
Rental properties (net)	171,105	1,943,699
Receivables	1,410,268	(208,725)
Income taxes recoverable	130,932	57,021
Work in progress and developed construction sites	5,853,337	(1,250,648)
Subdivisions under development	408,663	(173,211)
Investments (net)	8,030	1,661,607
Land held for development	747,774	(623,594)
Building and equipment (net)	86,244	143,668
Deposit receipts	—	3,990,000
Organization costs	—	151,645
Decrease in:		
Payable on agreements for sale	<u>156,600</u>	<u>(1,050,000)</u>
	<u>\$ 9,601,544</u>	<u>\$ 4,919,182</u>



nu-west
DEVELOPMENT CORPORATION LTD.

Calgary - Edmonton - Vancouver - Kamloops

REPORT TO SHAREHOLDERS

The 1972 fiscal year was the best in the history of your Company.

Total revenue of \$57,945,064 was 55% higher than the \$37,358,661 recorded in 1971. Total earnings of \$2,112,517, or \$1.24 per common share, were up 78% compared with 1971 earnings of \$1,185,639 or 70 cents per common share.

Cash flow in 1972 was \$2,653,024, or \$1.56 per common share, an increase of 78% over the 1971 cash flow of \$1,492,771 or 88 cents per common share.

The year 1972 marked the first in which your Company's net income exceeded \$2,000,000. It also was the first in which a dividend was paid.

GROWTH PATTERN

Nu-West's solid growth, both in sales and earnings, is a continuation of the healthy pattern that has emerged over the past 10 years. Your Company's earnings have increased by an average of more than 30% per annum during the past decade, as illustrated in the 10-year chart on pages 14 and 15 of this report.

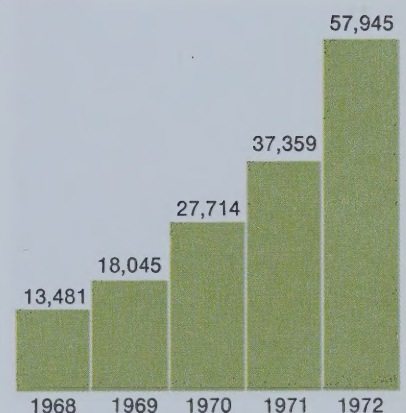
Our 1972 revenues and earnings, which again more than exceeded our goals, were achieved in a strong market. We are proud of this growth — and even more proud of the fact that our growth has been continuous over the years. Your Company has traditionally been able to post gains in revenue each year — even in years when housing starts have declined nationally. We attribute this to our ability to make sales and obtain mortgage money almost independently of changing market conditions.

It is significant to note that our 1972 sales represented only approximately one per cent of the total Canadian market even though Nu-West is one of the largest builder/developers in the country. There is ample room for growth.

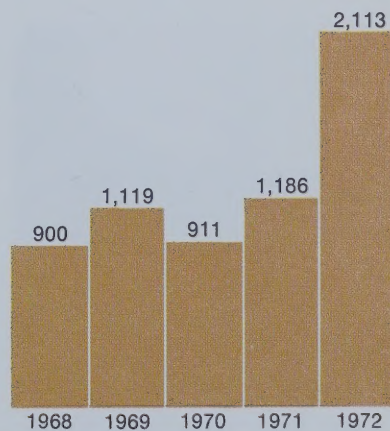
It is also significant that our profits are increasing during the same period that large investments are being made in long term growth — including additions to our land bank, an increase in our apartment portfolio and investments in Carma Developers Ltd. These interests, particularly our position in Carma, have been a major factor in our earnings increase.

Carma, which is 35.4% owned by Nu-West, became a public company in 1972, with shares trading on the Toronto Stock Exchange. Nu-West and Carma make ideal partners. Carma's holdings, as one of Canada's largest land developers, assure Nu-West of a strong land position — a vital factor in future progress. On the other hand, Carma benefits from having Nu-West as a large, stable customer.

In August of 1972 your Company purchased an existing lumber supply operation that had previously supplied many of Nu-West's requirements.



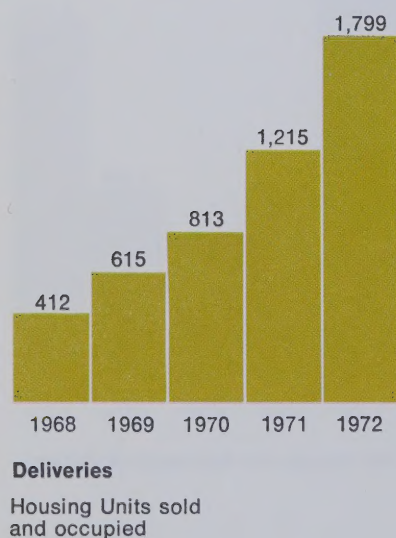
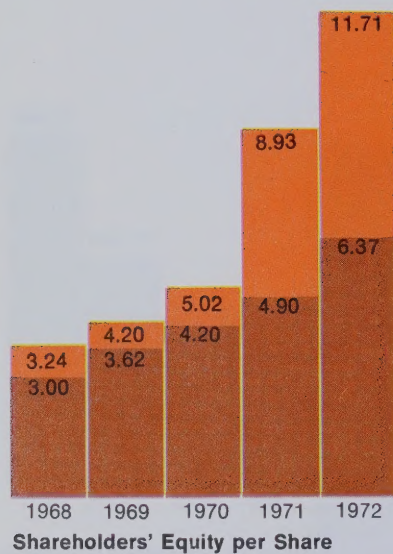
Total Revenue (in thousands of dollars)



Net Income (in thousands of dollars)

Equity per Share.

Equity per share attributable to estimated market value increment of land after provision for income tax (see note page 15).



Model home presentation in Canyon Meadows subdivision, Calgary, Alberta.

A new affiliate, Turner Lumber & Supplies Ltd., has been established which now supplies pre-cut framing components and other building materials to Nu-West's Calgary operations as well as servicing other builders.

PROSPECTS FOR 1973

We expect that during 1973 the total market for housing will continue to be strong in Canada as a whole. Because of continuing heavy demand for single family housing in the areas in which Nu-West operates in Western Canada, our markets should be particularly buoyant.

Alberta's Provincial Government recently announced a property tax rebate plan whereby home owners may qualify for an annual grant of up to \$216. British Columbia residents already enjoy the benefits of a similar plan. These tax rebates encourage a continued favourable climate for home ownership and allow more citizens to qualify for mortgages on new homes.

As outlined in earlier reports to shareholders, we had setbacks in our British Columbia activities in 1972, primarily due to flooding in Kamloops. However, we have achieved a sound base in British Columbia and look forward to profitable programs in the future. We are currently planning two condominium projects, both in the Vancouver area, as follow-ups to completion of condominium units in the Kamloops and Windermere areas in British Columbia.

Prospects for 1973 appear excellent for the gas and oil industries in Alberta and northern British Columbia. Agriculture is also having a good year with heavy grain sales and strong markets for beef and other farm products. This prosperity will benefit all sectors of the western economy. The result should be growth for the major centres of our operation, Calgary and Edmonton, and opportunities in the area of resource development communities.

Mortgage funds are in plentiful supply and at attractive rates. Nu-West has an adequate supply for 1973.

LAND DEVELOPMENT

Our Land Development Division again had an excellent year, marked by sales of 778 lots, including our share of joint ventures. The first stage of the Westview Village Mobile Home Park in Edmonton was completed. Nu-West's first land development project in Vancouver will be marketed in 1973. We anticipate our total sales of developed land in 1973 will be 40% greater than in 1972.

Purchases and option agreements arranged in 1972 brought your Company's total of land held (including a proportionate share of joint ventures) to 2,691 acres by the end of the year, including 1,759 acres



Pre-fabricated stairs being loaded are part of a complete pre-cut housing lumber package to be delivered to the site. Lumber cut to size and components effect considerable savings in time and labor in Nu-West's building system.



Croydon Court, a 240-unit rental townhouse development in Calgary, built and owned by Nu-West.

in Calgary, 158 in Edmonton, 671 in Kamloops and 103 in the Vancouver area. Almost all of Nu-West's land is in the immediate growth patterns of these cities and should be developed within the next four years. Another approximately 6,000 acres are held by companies, including Carma Developers Ltd., in which Nu-West has substantial interests.

CLIFFORD E. LEE

We regret that in October of 1972 a Director of the Company and its predecessors since inception, Clifford E. Lee, 67, passed away at his home in Saanichton, British Columbia. Mr. Lee contributed greatly to the Company's growth in its early years. He retired in 1969 due to ill health.

THE NU-WEST TEAM

In addition to continuing to develop new products and designs, heavy emphasis is being placed on improving and strengthening our staff training program, stressing profitability and customer satisfaction. We continue to work toward our long term goal of being recognized as Canada's finest builder/developer in terms of product and service to customers and in return to shareholders.

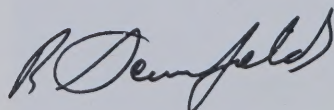
We are pleased to announce that Mr. M. Rodney Gerla, B.Comm., C.A., formerly General Manager of one of Western Canada's major builder/developers, has been appointed Vice-President (Finance). Mr. Gerla brings to Nu-West many years of successful experience in the accounting and management fields of the housing industry.

Nu-West achievements are the sum of the achievements of a great many talented individuals. I would like to thank our spirited and dedicated staff whose efforts made the accomplishments of 1972 possible.

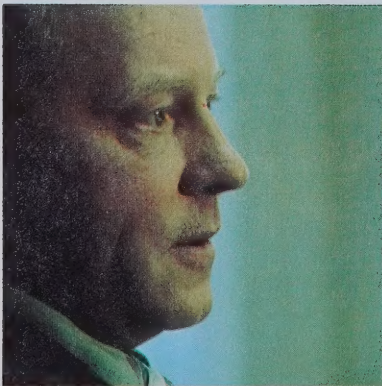
CONCLUSION

We enter 1973 with a carry-forward in sales of more than \$12,000,000 not yet taken into income, with strong markets and a good inventory of land and building lots. We look forward to a continuation in 1973 of our strong growth in both sales and profits.

On behalf of your Board of Directors,



Ralph T. Scurfield,
President.



Ralph T. Scurfield, President

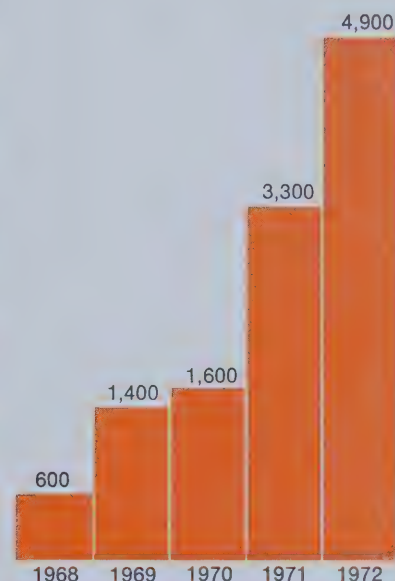


Site of Lynnwood Ridge, a 239-acre development skirting the Bow River in Calgary. The project is a joint venture between Nu-West and Devon Estates Ltd., a subsidiary of Imperial Oil Limited. Rough grading has begun.

Bruce A. Lawrence, P.Eng., A.L.S.,
Vice-President, Land Division.



A man-made brook, lagoon and fountain amid landscaped surroundings create a pleasing environment in Nu-West's Canyon Meadows development.



Land Bank (Acres)

Undeveloped land acreages held by Nu-West including its proportionate share of the land acreages held by Carma Developers Ltd.



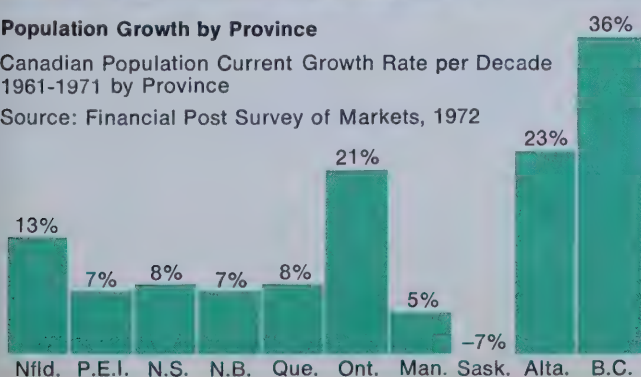
Land Value (in 000's)

Estimated market value increment and cost of land held by Nu-West including its proportionate share of land held by Carma Developers Ltd.

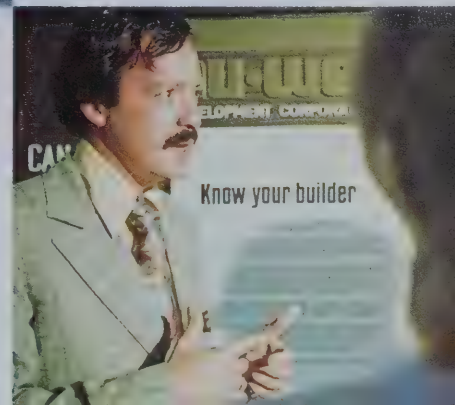
Population Growth by Province

Canadian Population Current Growth Rate per Decade 1961-1971 by Province

Source: Financial Post Survey of Markets, 1972



Dennis Fleck, of Edmonton, one of Nu-West's two 1972 "Salesmen of the Year," explaining the benefits of owning a Nu-West home to prospective customers.



Know your builder

Nu-West Development Corporation Ltd. and Subsidiaries

Consolidated Balance Sheet

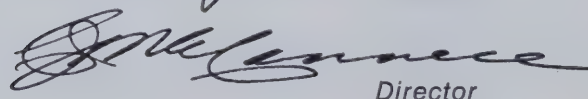
December 31, 1972

ASSETS

	1972	1971
Cash	\$ 574,798	\$ 521,819
Receivables, mortgage companies and customers	7,634,994	3,884,266
Income taxes recoverable	1,209,953	249,819
Houses and projects under construction and completed houses, including land, at cost	17,780,002	15,044,242
Developed construction sites, at cost (Note 3)	7,056,954	5,302,238
Subdivisions under development (Note 12)	3,965,260	2,956,832
Investments (Note 4)	5,468,180	2,865,398
Land held for development (Note 5)	7,147,156	7,372,620
Mortgages on houses sold by the Company	1,898,071	1,199,294
Rental properties under construction	—	434,763
Rental properties, at cost less accumulated depreciation 1972—\$193,751; 1971—\$118,968 (Note 6) ..	11,507,767	7,859,216
Buildings and equipment, at cost less accumulated depreciation 1972—\$334,086; 1971—\$258,782 (Note 6) ..	472,454	421,953
Organization and financing costs, less amortization	168,561	182,369
	<u>\$64,884,150</u>	<u>\$48,294,829</u>

On behalf of the Board

 Director

 Director

LIABILITIES

	1972	1971
Bank indebtedness (Note 12)	\$10,736,534	\$ 4,924,506
Payables and accruals	10,991,113	8,529,501
Mortgage advances and customer deposits	8,027,114	5,827,767
Deferred income taxes (Note 7)	3,036,564	1,672,954
Long term debt (Note 8)	21,118,008	18,873,381
Deferred income on sale of rental property subject to leaseback agreement	157,759	197,199
	<u>54,067,092</u>	<u>40,025,308</u>

SHAREHOLDERS' EQUITY

Share capital (Note 9)		
Authorized		
3,000,000 shares without nominal or par value not to exceed \$10,000,000		
Issued		
1,697,397 shares (1971 — 1,688,097) for a consideration of	3,165,027	3,128,802
Retained earnings	7,652,031	5,140,719
	<u>10,817,058</u>	<u>8,269,521</u>
	<u><u>\$64,884,150</u></u>	<u><u>\$48,294,829</u></u>

The accompanying notes form part of this statement.

Nu-West Development Corporation Ltd. and Subsidiaries

Consolidated Statement of Income

Year ended December 31, 1972

	1972	1971
Revenue		
Housing	\$50,921,973	\$33,192,523
Land	4,946,743	3,051,654
Rental	1,421,512	746,782
Other	654,836	367,702
	<u>57,945,064</u>	<u>37,358,661</u>
Cost of sales and operating expenses	54,057,652	34,702,398
Interest (Note 10)	1,582,687	783,253
Depreciation	203,106	170,222
Amortization of organization and financing costs	13,808	12,668
	<u>55,857,253</u>	<u>35,668,541</u>
Net income from operations	2,087,811	1,690,120
Income taxes	975,871	819,582
Net income before the undernoted	1,111,940	870,538
Equity in net income, after income taxes, of Carma Developers Ltd. and other affiliates	952,542	315,101
Non-recurring gain on conversion of investments	48,035	—
Net income (Note 14)	<u>\$ 2,112,517</u>	<u>\$ 1,185,639</u>

The accompanying notes form part of this statement.

Consolidated Statement of Retained Earnings

Year ended December 31, 1972

	1972	1971
Balance, January 1	\$ 5,140,719	\$ 3,955,080
Net income	2,112,517	1,185,639
Increase in the equity value of investment in Carma Developers Ltd. arising from a capital transaction by that company (Note 4)	568,500	—
	<u>7,821,736</u>	<u>5,140,719</u>
Dividend paid	169,705	—
Balance, December 31	<u>7,652,031</u>	<u>5,140,719</u>

The accompanying notes form part of this statement.

Consolidated Statement of Source and Use of Funds

Year ended December 31, 1972

	1972	1971
Source of funds		
Net income from operations	\$ 2,112,517	\$ 1,185,639
Add: Deferred income taxes (Note 7)	1,363,610	439,343
Depreciation and amortization	216,914	182,890
	<u>3,693,041</u>	<u>1,807,872</u>
Deduct: Equity in net income, after income taxes, of Carma Developers Ltd. and other affiliates ..	952,542	315,101
Non-recurring gain on conversion of investments	48,035	—
Deferred income on sale of rental property ..	39,440	—
	<u>1,040,017</u>	<u>315,101</u>
Cash flow from operations	2,653,024	1,492,771
Increase in		
Payables and accruals	2,461,612	3,166,887
Mortgage advances and customer deposits	2,199,347	(2,324,842)
Long term debt	2,244,627	13,965,038
Deferred income on sale of rental property	—	197,199
Exercise of options on shares	36,225	63,750
Decrease in		
Land held for development	225,464	(4,176,678)
Rental properties under construction	434,763	12,939
Increase in bank indebtedness	5,759,049	2,405,655
	<u>\$16,014,111</u>	<u>\$14,802,719</u>
Use of funds		
Increase in		
Receivables	\$ 3,750,728	\$ 1,428,788
Income taxes recoverable	960,134	249,819
Work in progress and developed construction sites ..	4,490,476	5,031,614
Subdivisions under development	1,008,428	1,045,306
Investments	1,033,705	1,727,252
Mortgages on houses sold by the Company	698,777	388,307
Rental properties (net)	3,731,889	4,375,060
Buildings and equipment (net)	170,269	251,477
Financing costs	—	154,457
Decrease in		
Income taxes payable	—	150,639
Dividend paid	169,705	—
	<u>\$16,014,111</u>	<u>\$14,802,719</u>

The accompanying notes form part of this statement.

Auditors' Report to the Shareholders:

We have examined the consolidated balance sheet of Nu-West Development Corporation Ltd. and subsidiaries as at December 31, 1972 and the consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
March 2, 1973

Winnipeg Higgins Stevenson & Co.

Chartered Accountants

Nu-West Development Corporation Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 1972

1. Accounting Policies

The Company's accounting policies follow the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

2. Principles of Consolidation and Accounting Presentation

The consolidated financial statements include

- i) The assets and liabilities and results of operations of all of the Company's subsidiaries,
- ii) The proportionate share of the assets, liabilities, income and expenses of the Company's interest in unincorporated joint ventures, and
- iii) The proportionate share of the net income or losses of companies in which the Company has a substantial interest. The value of these investments has been adjusted to reflect the Company's equity in the book values of the underlying net assets of these companies.

3. Developed Construction Sites

Developed construction sites include option deposits of \$229,000 (1971 — \$137,097). To acquire the construction sites under option, an additional expenditure of \$2,270,338 (1971 — \$1,628,940) will be required.

4. Investments

	1972	1971
Marketable		
569,000 common shares of Carma Developers Ltd. (Market value December 31, 1972 — \$4,619,000)		
Share of equity, January 1	\$ 1,104,997	\$ 386,027
Share of net income	873,346	305,730
Elimination of inter-company profits and other adjustments	(63,006)	(23,727)
Equity value of shares acquired	176,250	436,967
Share of a capital transaction	568,500	—
Share of equity, December 31	2,660,087	1,104,997
Excess of cost of shares over equity value at date of acquisition	1,117,373	950,898
Book value	3,777,460	2,055,895
Non-marketable		
Common shares		
Share of equity, January 1	98,019	64,921
Share of net income	50,664	33,098
Equity value of shares acquired	95,243	—
Share of equity, December 31	243,926	98,019
Excess of cost of shares over equity value at date of acquisition	84,849	47,324
Book value	328,775	145,343
Total marketable and non-marketable common shares	4,106,235	2,201,238
Other, at cost		
12% cumulative, redeemable preferred shares	60,000	30,000
8% convertible debentures of Carma Developers Ltd.	648,780	166,150
Interest bearing loans	653,165	173,000
8% debentures	—	245,000
Deposit	—	50,010
	\$ 5,468,180	\$ 2,865,398

5. Land Held for Development

	1972	1971
Land and development costs, at the lower of cost or market	\$ 6,548,997	\$ 6,919,184
Costs capitalized during the year		
Real estate taxes	21,214	24,790
Administrative and general operating expenses	39,998	—
Interest	425,191	264,896
	7,035,400	7,208,870
Option Deposits	111,756	163,750
	\$ 7,147,156	\$ 7,372,620

To acquire the land under option an additional expenditure of \$3,877,723 (1971 — \$2,903,630) will be required.

The undeveloped land of the Company and that of Carma Developers Ltd. was appraised by independent appraisers as at December 31, 1972. Based on these appraisals, land held by the Company has an appraised value of \$17,659,764 which is \$6,634,885 in excess of book value, and its proportional share of land held by Carma Developers Ltd. has an appraised value of \$11,754,109 which is \$7,271,160 in excess of book value.

The total appraised value of the Company's undeveloped land owned directly and indirectly, as described above, exceeds book value by \$13,906,045.

6. Depreciation Policy

The Company follows the sinking fund method of accounting for depreciation of rental properties. Under this method building costs are being written off over the estimated useful life in annual amounts increasing at the rate of 5% compounded annually. The estimated useful life is 50 years for office and major apartment buildings, 40 years for townhouses and smaller rental units, and 30 years for mobile home parks. Other buildings and equipment are depreciated on the diminishing balance basis at annual rates of 30% and 20%.

7. Deferred Income Taxes

- a) Deferred income taxes are recorded with respect to
 - i) capital cost allowance claimed in excess of depreciation recorded in the accounts,
 - ii) utility costs expended on the development of subdivisions,
 - iii) interest, real estate taxes and administrative and general operating expenses on land,
 - iv) financing costs on houses and projects under construction, and
 - v) organization and financing costs which have been claimed as expenses.
- b) The Department of National Revenue is examining the timing of the deductibility of utility costs for income tax purposes. The Company, which considers its treatment of this item to have been proper, is currently making submissions in this regard. As full provision for income taxes has been recorded, any re-assessment would affect only the timing of payment, which would have the effect of transferring \$965,000 from deferred to current income taxes payable.

8. Long-Term Debt

	1972	1971
Payable on Land Held for Development		
Agreements for Sale bearing interest at rates varying from 0% to 11¼ %	\$ 2,816,410	\$ 3,928,121
Payable on Agreements for Sale		
The agreements arise from the acquisition of shares and debentures of certain subsidiary companies and are secured. The agreements bear interest at rates varying from 4% to 7%	1,080,919	1,359,255
Mortgages Payable on Rental Properties		
Mortgages bear interest at rates varying from 7% to 13% and mature at varying dates between 1974 and 2021	9,887,346	6,586,005
Term Loan		
The term loan bears interest at the greater of 8% per annum or 1½% above the prime bank rate. To secure this loan, which is evidenced by a promissory note, the Company has hypothecated by way of collateral security, a first floating charge debenture	4,333,333	4,000,000
8¾ % Subordinated Convertible Debentures, Series A.		
The debentures, which mature in 1991, are secured by a floating charge which ranks second to the security of the term loan. These debentures are subject to certain sinking fund requirements which commence in 1982.		
The debentures may be converted into common shares on the basis of 95 shares for each \$1,000 of debenture principal up to and including June 15, 1976, and 85 shares for each \$1,000 of debenture principal for the period from June 16, 1976 up to and including June 15, 1981	3,000,000	3,000,000
	<u>\$21,118,008</u>	<u>\$18,873,381</u>

Repayments over the next five years amount to \$2,316,206 in 1973, \$2,114,521 in 1974, \$1,615,935 in 1975, \$1,622,414 in 1976 and \$1,325,868 in 1977.

9. Share Capital

- a) During the year 9,300 shares were issued pursuant to the Company's stock option plan.
- b) The Company has a stock option plan under which options on 83,700 shares are outstanding. The options have been granted to full time employees, including certain senior officers, at an option price of \$3.75 per share, which was the approximate quoted price of the Company shares on the date the option price was set. The options may be released over the years 1973 to 1975 in an amount not to exceed 38,500 shares in any one year subject to the approval of the Board of Directors of the Company.

During 1972, 2,250 of the previously granted options were re-assigned and re-priced at \$8.25 per share, which approximates the prevailing quoted price of the Company's shares at the time of re-assignment.

The Directors have approved the release of 5,700 options which have not as yet been exercised.

- c) Pursuant to an agreement dated December 21, 1972, the Company approved the issuance of 20,000 common shares in exchange for shares of another company.
- d) 285,000 of the Company's shares are reserved for the conversion of the 8% subordinated convertible debentures described in Note 8.

10. Interest

	1972	1971
Interest on long term debt	\$ 1,579,465	\$ 833,157
Interest on bank demand loans	428,413	214,992
	<u>2,007,878</u>	<u>1,048,149</u>
Less: Interest applicable to land held for development	425,191	264,896
Interest expense	<u>\$ 1,582,687</u>	<u>\$ 783,253</u>

11. Remuneration to Directors and Senior Officers

The aggregate direct remuneration to directors and senior officers, numbering fifteen, amounted to \$379,466 for the year, which amount included \$5,350 in directors' fees. In addition, legal fees of \$16,405 were paid to the firm of barristers and solicitors of which one of the directors is a partner.

12. Contingent Liabilities and Commitments

- a) The bank indebtedness is secured by a general assignment of receivables and mortgages receivable, shares and debentures of Carma Developers Ltd. and mortgages on specific properties.
- b) The Company is contingently liable with respect to letters of credit issued by a chartered bank totalling \$458,116. The letters of credit have been issued in lieu of performance deposits.
- c) The Company is committed to spend an estimated additional \$578,045 to complete subdivisions under development in accordance with development agreements entered into with various municipal governments.

13. Subsequent Events

- a) On February 23, 1973, the Company and certain subsidiary companies accepted an offer made by Carma Developers Ltd. to convert their investment in shares of and loans receivable from Sur-Del Builders Development Ltd. in the amount of \$410,000 into 8% subordinated convertible debentures of Carma Developers Ltd.
- b) The Company is carrying out negotiations that may result in the acquisition of all of the outstanding shares of Realty Growth, Inc., Portland, Oregon. The estimated maximum consideration that may be paid by the Company is \$1,979,515 by the issuance of 208,370 common shares at \$9.50 per share. This transaction, if effected, would be subject to the approval of the Board of Directors of the Company and various Governmental and other regulatory bodies.

14. Earnings per Share

	1972	1971
Earnings — before extraordinary item	\$1.21	\$.70
— after extraordinary item	1.24	.70
Diluted earnings	<u>1.07</u>	<u>.66</u>

The diluted net earnings per share reflect income that would have been reported had the stock options been exercised and the 8% subordinated convertible debentures been converted at the beginning of the year.

15. Additional Information

The following presentation sets out the working capital of the Company.

	1972	1971
Current assets	\$40,400,721	\$31,259,571
Current liabilities	33,375,425	23,891,532
Working capital	<u>\$ 7,025,296</u>	<u>\$ 7,368,039</u>

In determining working capital, the following assets and liabilities have been segregated between current and non-current.

	1972		1971	
	Current	Non-Current	Current	Non-Current
i) Land held for development	\$ 2,120,760	\$ 5,026,396	\$ 3,250,355	\$ 4,122,265
ii) Mortgages on houses sold	58,000	1,840,071	50,000	1,149,294
iii) Deferred income taxes	1,304,458	1,732,106	701,680	971,274
iv) Long term debt	2,316,206	18,801,802	3,908,078	14,965,303

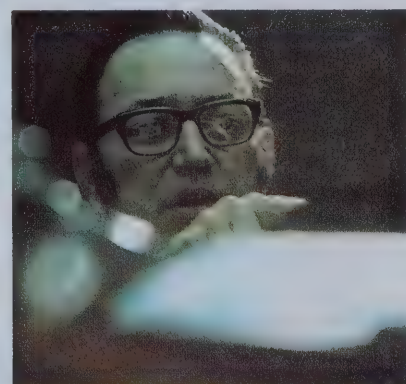


Harold Young, from Nu-West's Customer Relations Department, makes a house call. Harold was winner of one of the two 1972 "Service Manager of the Year" awards.

One of Property Management's maintenance staff, George Taylor, tending Nu-West's Canyon Glen 170-unit rental townhouse complex.



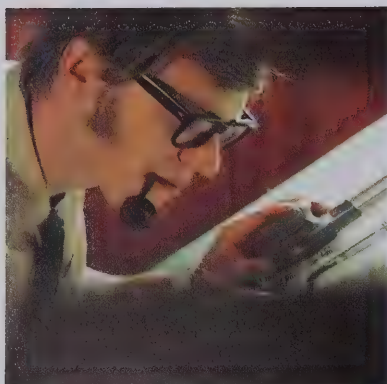
Werner D. (Vern) Mross, Vice-President (Housing), Calgary. Mr. Mross is also responsible for the Resource Community and Contract Division.



Gary D. Santini, Vice-President (Housing), responsible for Edmonton and British Columbia.



M. R. (Rod) Gerla, B.Comm., C.A., Vice-President (Finance).



Imaginative concepts by Ed Rohachuk, Residential Designer for Calgary South Housing Division, have produced many of Nu-West's best selling homes.



Excitingly furnished model homes are a key part of Nu-West's merchandising strategy.

Nu-West shareholders and the investment industry have shown considerable interest in the Company during this year of growth.

We think their questions are excellent and we would like to share the answers with you.

Q. Estimates indicate that Canadian housing starts in 1973 will be approximately 95 to 100% of 1972's total. Will this lack of expansion affect Nu-West?

A. No. There is excellent growth potential in our market areas, particularly Edmonton, Alberta and Vancouver and Kamloops, British Columbia. In 1972, Nu-West captured only about 10% of the Edmonton market and only 3% of the Greater Vancouver regional market. Our housing divisions in both these areas are now well established and placed in an ideal position to substantially increase their market share in 1973. Nu-West expects an increase in its total sales in 1973.

Q. Are profit margins on your house sales improving?

A. Yes. We are pleased to report that sales recorded in the first two months of 1973 show a decided improvement in profitability over 1972. We have set goals for improved profitability in 1973 and future years which we are working hard to achieve.

Q. Do you plan to expand your holdings of revenue properties?

A. Yes. Present plans call for increasing the size of our portfolio by at least 20% per annum. We are interested in increasing our assets, providing a stable income base and a hedge against inflation.

Q. Do you plan to call your convertible debenture? What effect will conversion of the debenture have on Nu-West earnings per share?

A. It is probable we will not call the convertible debenture until the market price of our common shares is in the \$12.00 to \$15.00 range. If conversion had occurred January 1, 1972, Nu-West's before tax

History of Growth (in 000's)

	1972	1971
Revenue		
Housing	\$50,922	\$33,193
Land	4,947	3,051
Rental	1,422	747
Other Income	654	368
	57,945	37,359
Cost of sales and operating expenses	55,857	35,669
	2,088	1,690
Equity in net income, after income taxes, of Carma Developers Ltd. and other affiliates	952	315
Non-recurring gain	48	—
	3,088	2,005
Net income before income taxes	3,088	2,005
Income taxes	975	819
	2,113	1,186
NET INCOME	\$ 2,113	\$ 1,186
Total Assets	\$64,884	\$48,295
Total Liabilities	54,067	40,025
	\$10,817	\$ 8,270
Shareholders' Equity	\$10,817	\$ 8,270
Shares Outstanding*	1,697,397	1,688,097
Net Income per Share	\$ 1.24	\$.70
Dividends per Share	.10	—
Cash Flow per Share	1.56	.88
Shareholders' Equity per Share	6.37	4.90
Shareholders' Equity per Share, including market value increment**	11.71	8.93

income would have increased by approximately \$262,500, the amount of the debenture interest — and per share earnings would have been diluted because of the additional 285,000 shares being issued. As a result, earnings of \$1.24 per share would have changed to \$1.14 a share.

Q. What is Nu-West doing about the rising wave of consumerism?

A. Nu-West has always been a consumer-oriented company — long before the word “consumerism” became popular. In many reports to shareholders and formulation of Company policy, our President, Mr. R. T. Scurfield, has stressed Nu-West’s emphasis on customer service. Your Company has developed a before- and after-occupancy inspection policy with the intent of providing a quality product and efficient after-sales service. Nu-West was the first to offer a five year warranty to homeowners in Canada and has recently expanded the warranty period on homes built in major urban centres to 10 years. Our 24 service managers are radio-equipped to provide fast emergency service.

Q. How do you account for sale of a house?

A. Revenue from sale of a house is recorded at the time of delivery of the completed home to the purchaser.

Q. What is Nu-West doing in the field of research and development?

A. Nu-West has a full-time Research Co-ordinator on staff. He is responsible for keeping Nu-West abreast of new developments in Canada and the United States, particularly the research department of the Housing & Urban Development Association of Canada. The Research Co-ordinator is also responsible for incorporating new products and methods into a number of houses built by the Company each year. Over the years, Nu-West has experimented with many materials and techniques in this way, such as pre-cast concrete foundation walls, steel studs and joists, and special flooring systems. Present studies include pre-fabrication using patented portable framing tables and power nailing devices.



Vic Nill, Director of Construction, Calgary Housing Division, on the site.

							Year Ended April 30 1963
1970	1969	1968	1967	1966	1965	1964	
\$24,533	\$15,786	\$12,922	\$11,695	\$ 8,542	\$ 5,522	\$ 3,965	\$ 2,437
2,424	1,704	158	—	—	—	—	—
529	474	246	143	132	116	108	—
228	81	155	92	74	50	32	28
27,714	18,045	13,481	11,930	8,748	5,688	4,105	2,465
25,964	16,005	11,781	11,287	8,472	5,600	3,990	2,355
1,750	2,040	1,700	643	276	88	115	110
56	78	20	29	21	—	—	—
1,806	2,118	1,720	672	297	88	115	110
895	999	820	282	88	17	28	23
\$ 911	\$ 1,119	\$ 900	\$ 390	\$ 209	\$ 71	\$ 87	\$ 87
\$28,825	18,693	\$11,846	\$ 7,056	\$ 5,134	\$ 3,479	\$ 2,136	\$ 2,115
21,805	12,716	9,830	5,940	4,409	3,068	1,875	1,983
\$ 7,020	\$ 5,977	\$ 2,016	\$ 1,116	\$ 725	\$ 411	\$ 261	\$ 132
671,097	1,650,000						
\$.55	\$.68						
.68	.97						
4.20	3.62						
5.02	4.20						

*The Company became a public company in 1969 and therefore per share figures for the years 1964 to 1968 are not comparable. The number of shares outstanding at the year end assumes no dilution applicable to the convertible debenture issued during 1971.

**Shareholders' equity per share including market value increment is based on the estimated market value of undeveloped and developed land holdings, including a proportionate share of land held by Carma Developers Ltd. — less provision for income tax on the market value increment. The valuation on undeveloped land in 1971 and 1972 was by independent appraisal. The estimated market value of developed land in 1971 and 1972 and of all holdings prior to 1971 was based on management's estimate.



C. J. (Ches) McConnell, P.Eng.,
Senior Vice-President.



An important part of Nu-West's
cost control system is regular
computer printouts to construction
superintendents.

Q. Does Nu-West sub-contract all its work out, including selling?

A. No. We have our own sales force, painters, finishing carpenters, laborers, architectural designers and draftsmen, interior designers, superintendents and others. In January of 1973 Nu-West had 489 employees. We gain many advantages by having our own employees do work that other builders might entrust to subtrades. For example, we obtain a higher quality of finishing of our homes since our own employees do the work. Also, this staff provides a large pool of experienced personnel available for promotion.

Q. Where do you obtain your mortgage funds?

A. From a diversified group of reputable lenders, including banks, trust companies and life insurance companies. Some of these lenders have been associated with our Company for so many years we consider them part of the Nu-West team. Due to our long-term relationships we are assured mortgage funds even in periods of relatively short supply of mortgage money.

Q. Does community involvement play a role in Nu-West's philosophy of doing business?

A. Very definitely. The Company has a policy of providing assistance, both financially and in other ways, to community associations that are playing an active part in areas where Nu-West homes are being built. For example, a community centre, tennis courts and a landscaped park area have been provided for residents of Nu-West's Canyon Meadows residential suburb in Calgary. Also, financing was made available so that a large indoor swimming pool could be constructed two years ahead of City scheduling. The Company recognizes the need to continue being a good corporate citizen and many Nu-West people are actively participating in community enterprises in all areas of our operation.

Q. Your Company is growing at a rapid rate. Are you expanding your management capabilities at the same time?

A. Yes. We are continuously training and strengthening our management, so that most of our growth can be effected by promotion of Nu-West personnel. From time to time we add outstanding new people, for example, Mr. M. R. Gerla, Vice-President (Finance), who joined us in late 1972.

MAJOR SUBSIDIARIES AND AFFILIATES

	Percentage Controlled by Nu-West
Carma Developers Ltd.	35.4%
Nu-West Construction Products Ltd.	100.0%
Nu-West Mortgage & Investments Ltd.	100.0%
Nu-West Real Estate & Insurance Ltd.	100.0%
Sur-Del Builders Development Ltd.	27.2%
Van Reekum Landscape Contractors Ltd.	75.0%

Nu-West has a substantial but non-controlling interest in Datamation Centres (1971) Ltd., B. A. Lawrence & Associates Ltd., and Turner Lumber & Supplies Ltd.

Nu-West Development Corporation Ltd. and Subsidiaries

COMPANY DIRECTORS

R. T. SCURFIELD, B.Sc.*

Calgary, Alberta
President

C. J. McCONNELL, P.Eng.*

Edmonton, Alberta
Senior Vice-President

R. C. BAXTER, B.Comm.

Vancouver, British Columbia
President, R. C. Baxter Ltd.

O. E. BUKER

Calgary, Alberta
Partner, Richardson Securities
of Canada

H. G. FIELD, Q.C.*

Edmonton, Alberta
Partner, Field Hyndman,
Barristers & Solicitors

B. A. LAWRENCE, P.Eng., A.L.S.

Calgary, Alberta
Vice-President (Land)

G. D. SANTINI*

Calgary, Alberta
Vice-President (Housing)

* MEMBER OF 1972 EXECUTIVE COMMITTEE

COMPANY OFFICERS

R. T. Scurfield, B.Sc.

President

C. J. McConnell, P.Eng.

Senior Vice-President

M. R. Gerla, B.Comm., C.A.

Vice-President (Finance)

B. A. Lawrence, P.Eng., A.L.S.

Vice-President (Land)

W. D. Mross

Vice-President (Housing)

G. D. Santini

Vice-President (Housing)

D. E. Jenkins, B.A., LL.B.

Secretary

R. H. Perell, C.A.

Treasurer

D. B. Watson, B.A., LL.B.

Assistant Secretary

EXECUTIVE OFFICES

Nu-West Building

301 - 14 Street, N.W.

Calgary, Alberta, Canada T2P 2R6

Telephone: (403) 283-0711

CALGARY HOUSING DIVISIONS

North Calgary Administrative Office
5512 Dalhousie Drive N.W.

South Calgary Administrative Office
11807 Elbow Drive S.W.

East Calgary Administrative Office
4635 Marlborough Drive N.E.

EDMONTON HOUSING DIVISIONS

Edmonton Administrative Office
10534 - 124 Street

Sherwood Park Administrative Office
114 Groveland Road

West Edmonton Administrative Office
8412 - 171 Street

VANCOUVER HOUSING DIVISION

9465 - 120 Street
Delta, British Columbia

KAMLOOPS HOUSING DIVISION

141 Victoria Street
Kamloops, British Columbia

TRANSFER AGENTS AND REGISTRARS — COMMON SHARES

Montreal Trust Company

Head Office: 755 Dorchester Blvd. W.
Montreal, Quebec
Canada

Calgary Office: 411 - 8 Avenue S.W.
Calgary, Alberta, Canada

TRUSTEE

8¾ % Convertible Debenture due 1991

Canada Permanent Trust Company

Head Office: 320 Bay Street
Toronto, Ontario
Canada

Calgary Office: 325 - 8 Avenue S.W.
Calgary, Alberta, Canada

LISTING

Toronto Stock Exchange
Symbol — NUW

AUDITORS

Winspear Higgins Stevenson & Co.

Head Office: 800 - 36 Toronto Street
Toronto, Ontario
Canada

Calgary Office: 209, 606 - 7 Ave. S.W.
Calgary, Alberta, Canada



nu·west